GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2296
ANSWERED ON:06.05.2016
Internationalisation of Rupee
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Will the Minister of FINANCE be pleased to state:

(a) the advantages of having Rupee as an international currency;
(b) the details of challenges to internationalisation of rupee;
(c) the requirements for evolving Rupee as an international currency; and
(d) the stand of the Government on this issue?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)
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(a): Internationalisation of Rupee will facilitate greater degree of integration of Indian economy with rest of the world in terms of foreign trade and international capital flows. Key benefits of internationalisation of Rupee include savings on foreign exchange transactions for Indian residents, reduced foreign exchange exposure for Indian corporates, reduction in dependence on foreign exchange reserves for balance of payment stability etc.

(b) to (d): One of the important drivers for internationalisation of a currency is the country's share in global merchandise and commercial services trade. India's percentage share in the global trade is still on the lower side and it limits the pricing ability of domestic businesses in Indian Rupee. Moreover, the share of Indian Rupee in the Global foreign exchange market turnover at present is also very low. Internationalisation of Indian currency would also require full capital account convertibility. As a policy, we have followed a gradual and cautious approach in opening up the capital account. The capital account is being progressively liberalized in accordance with the evolving macro-economic conditions and requirements of the Indian industries, individuals and financial sectors. Government has been taking measures to promote the internationalisation of the Indian Rupee. Recently, a framework was put in place for issuance of Rupee denominated bonds overseas by Indian corporates.

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